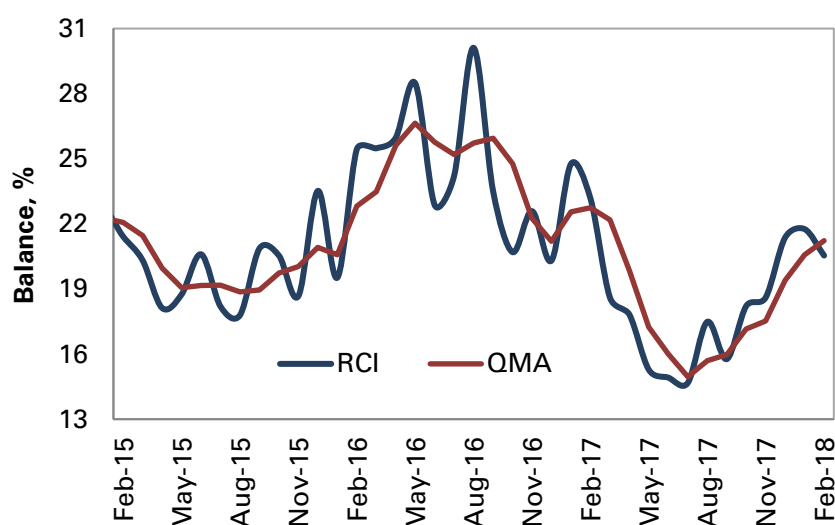


In February, the Retail Confidence Index fell compared to January and one year ago. However, the quarterly moving average maintains the upward trend it displays since August 2017. The Industrial Confidence Index showed a higher level in February relative to one year ago and, adjusting for seasonal factors, it remained at the level of January. Installed capacity utilization, which is measured every three months, reached 70.1%, which represented an increase compared to November, although it is still slightly lower than a year ago. Business' perception of economic and sociopolitical conditions improved compared to the previous quarter but remains in negative ground. On the other hand, construction companies' perception of current situation in the sector showed a reduction compared to the previous measurement, but their expectations for the next quarter improved.

Retail Confidence Index - RCI

In February, the Retail Confidence Index (RCI) stood at 20.5%, which represents a decrease of 1.2 percentage points (pps) compared to the previous month and a decrease of 2.6 pps compared to February 2017 (Figure 1). However, the quarterly moving average (QMA) of this indicator maintains the upward trend it displays since August 2017.

Figure 1. Retail Confidence Index (RCI)



Source: Business Tendency Survey – Fedesarrollo.

The RCI brings together three elements: **the perception of the current economic situation of the company or business, the level of stocks and expectations about the economic situation for the next semester.** The results for February of the last three years are summarized in Table 1.

Table 1. RCI Components

Component (Balance, %)	2016	2017	2018	
	Febrero	Febrero	Enero	Febrero
Business current situation	44,6	42,5	37,8	37
Level of stocks	9	11,1	6,5	12,6
Business expectations for the next 6 months	40,8	38,1	34	37,2
Retail Confidence Index - RCI	25,4	23,2	21,8	20,5

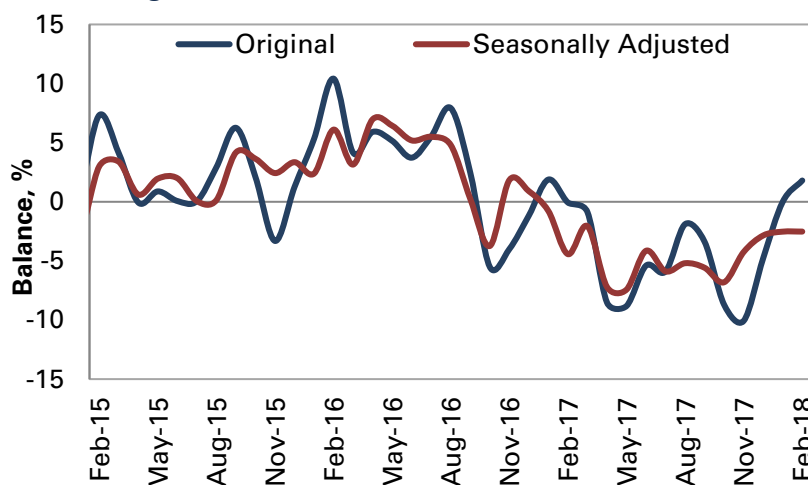
Source: Business Tendency Survey – Fedesarrollo.

The fall in retailers' confidence with respect to February 2017 is mainly due to a 5.5 pps decrease in the company's current economic situation component. Compared to the previous month, the decrease in the RCI is due to a reduction of 0.8 pps in the economic situation component and an increase of 6.0 pps in the level of stocks, deteriorations that were not offset by the improvement of 3.2 pps in the production expectations component.

Industrial Confidence Index – ICI

In February, the Industrial Confidence Index (ICI) registered a balance of 1.9% which, adjusting for seasonal factors, does not represent any variation with respect to January 2018. However, relative to February 2017, there was an improvement of 1.9 percentage points (pps).

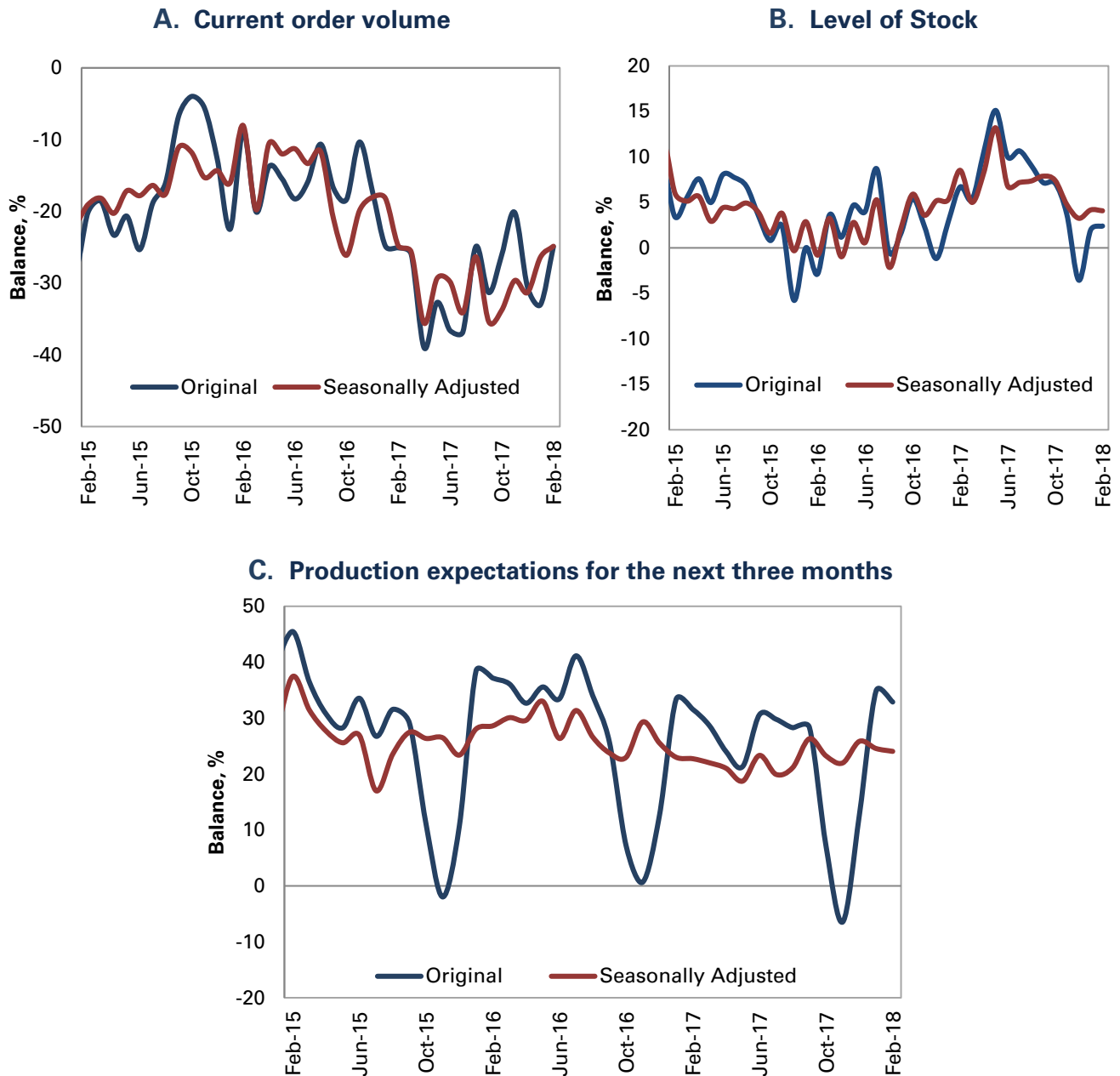
Figure 2. Industrial Confidence Index - (ICI)



Source: Business Tendency Survey - Fedesarrollo

The ICI consists of three components: **current volume of orders**, **Level of stock**¹ and **production expectations for the next three months**. Isolating seasonal variations, compared to January, an increase of 1.5 pps stands out in the current volume of orders component (Figure 3A).

Figure 3. ICI Components



Source: Business Tendency Survey – Fedesarrollo

¹ Both industrial producers and retailers are asked if the level of stocks is high, low or normal and the balance is the difference between the percentage of respondents who answered that it is "high" and those who indicated that it is "low." A decrease in the balance is equivalent to an improvement, since employers perceive lower levels of inventories

The increase in industrial confidence with respect to February 2017 is mainly due to the 4.3 pps decrease in the stock level component and the 1.3 pps increase in the production expectations indicator (Table 2).

Table 2. ICI Components

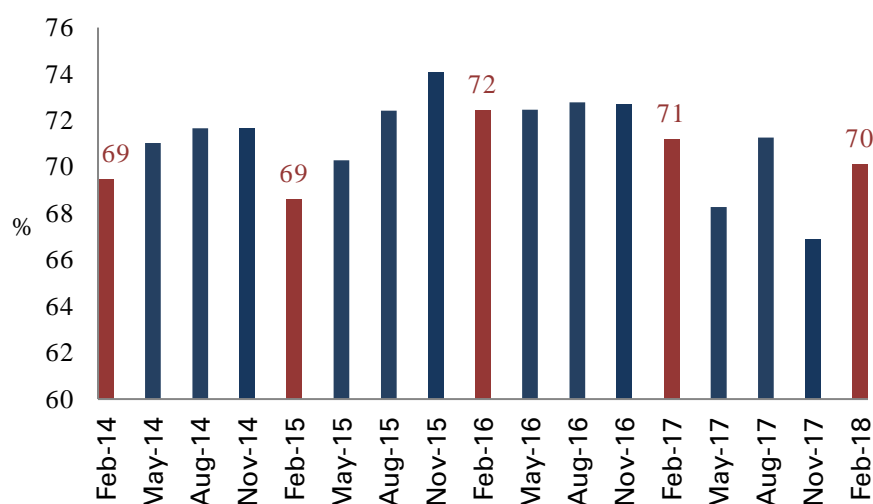
Component (Balance, %)	2016	2017	2018	
	Febrero	Febrero	Enero	Febrero
Current volume of orders	-8.8	-25.1	-33.0	-24.9
Stocks of finished goods at the end of this month	-2.9	6.7	2.0	2.4
Expected production in the next three months	37.2	31.6	34.9	32.9
Industrial Confidence Index - ICI	10.4	-0.1	0.0	1.9

Source: Business Tendency Survey – Fedesarrollo.

Industry's installed capacity utilization²

This month, installed capacity utilization was 70.1%, which represented an increase of 3.2 pps compared to November 2017 (Graph 4). Compared to the same month of the previous year, there was a decrease of 1.1 pps.

Figure 4. Utilization of installed capacity in the industry



Note: The series of utilization of installed capacity was revised backwards.

Source: Business Tendency Survey – Fedesarrollo.

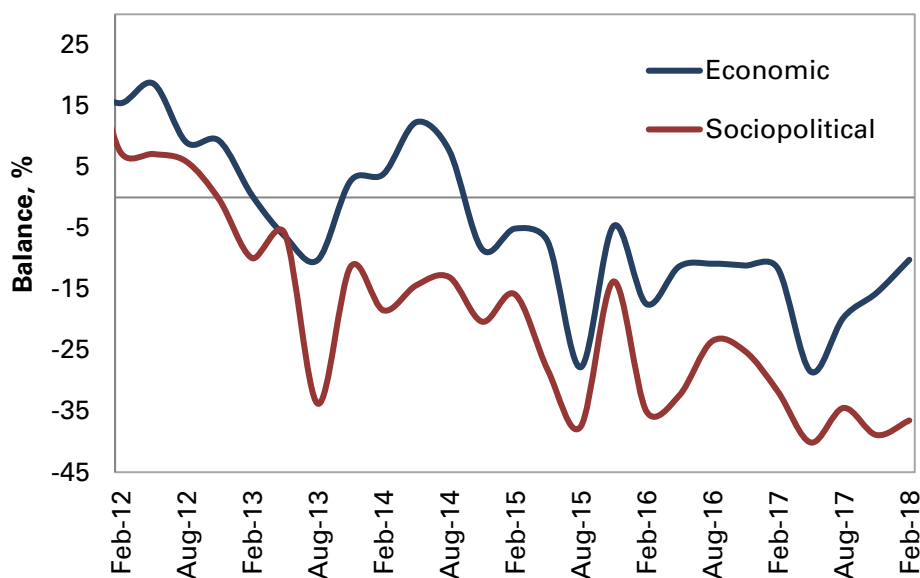
² The Business Tendency Survey for the month of February contains a quarterly module that inquires about the perception of entrepreneurs about the level of utilization of installed capacity in the industry.

Economic and sociopolitical conditions for investment³

The balance of the industrial sector regarding favorable **economic conditions** to invest was -10.2% in February, which is equivalent to an increase of 5.4 pps compared to the last measurement of November 2017. The results showed that 20.1% of respondents believe that current economic conditions are favorable, compared to 15.3% on the previous measurement. On the other hand, 30.3% of employers consider that the current conditions are unfavorable and 49.7% affirm that they are neutral.

The balance on sociopolitical conditions being favorable to invest was -36.5%, an increase of 2.4 pps compared to the previous quarter. The results showed that 6.1% of respondents believe that socio-political conditions are favorable, while 42.7% consider that they are unfavorable and 51.2% that they are neutral.

Figure 5. Favorability of current economic and socio-political conditions for investment



Source: Business Tendency Survey – Fedesarrollo.

Quarterly Construction Survey⁴

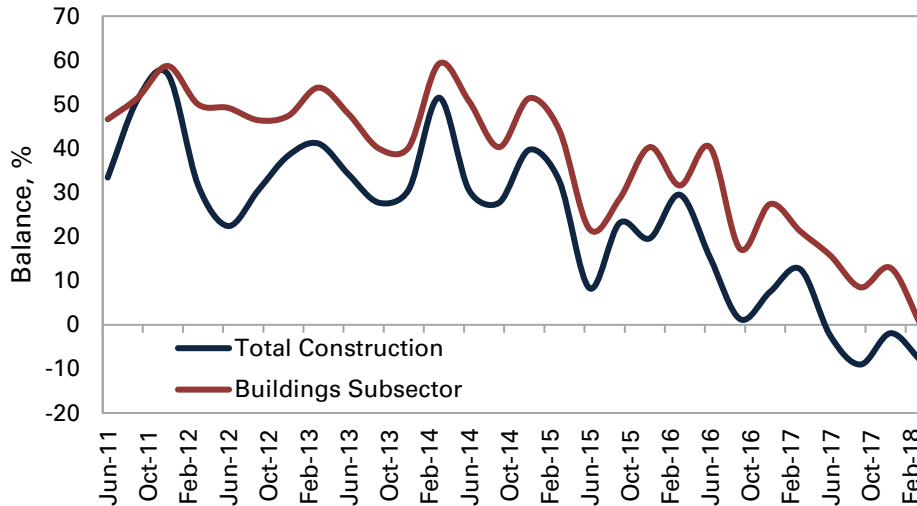
In the measurement for the first quarter of 2018, the balance of the current economic situation of companies in the construction sector stood at -8.1%, which is equivalent to a decrease of 6.2 pps compared to the previous quarter and a decrease of 20.7 pps compared to the one registered in the first quarter of 2017. **Buildings subsector** recorded

³ The Business Tendency Survey includes a special module that asks about industrialists' perception of the economic and socio-political conditions to invest in the sector.

⁴ Quarterly, Fedesarrollo conducts a survey focused on entrepreneurs in the construction sector, in order to know their perception of the current economic situation and their future expectations.

a balance of 0.0%, which represents a decrease of 12.9 pps compared to the previous quarter and of 21.2 pps compared to one year ago (Figure 6).

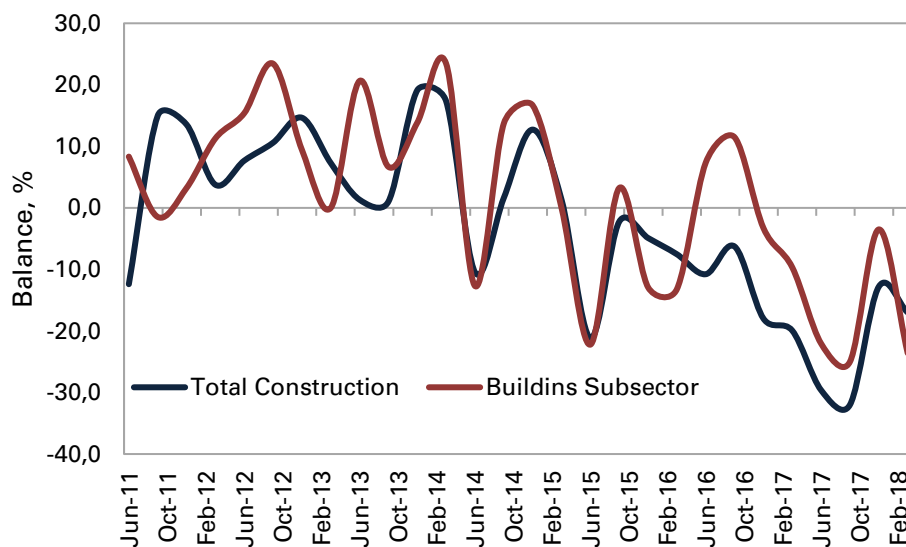
Figure 6. Current situation of companies in the construction sector



Source: Quarterly Construction Survey– Fedesarrollo.

The indicator on the pace of construction was -17.0%, showing a 4.2 pps decrease compared to the previous quarter and an increase of 2.9 pps compared to the first quarter of 2017. For **buildings subsector**, this indicator registered an even more negative balance of -23.6%, with a decrease of 20.1 pps compared to the previous quarter and of 13.9 pps compared to a year ago (Figure 7).

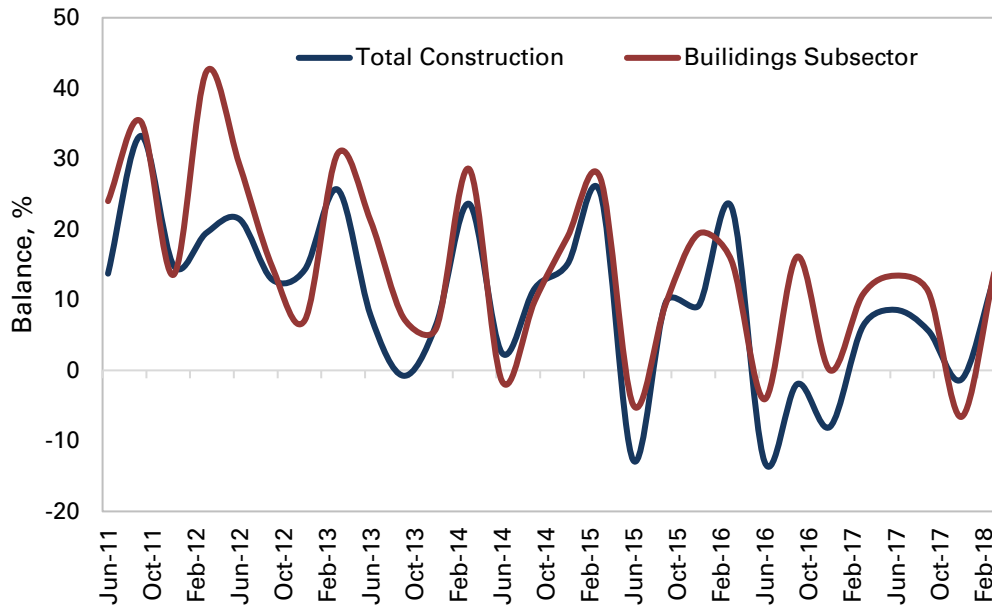
Figure 7. Construction rate compared to the previous year




Source: Quarterly Construction Survey – Fedesarrollo.

The balance of construction expectations for the next quarter showed an increase of 14.4 pps compared to the previous measurement and an increase of 6.8 pps compared to the first quarter of 2017. For the same periods, **buildings subsector** expectations increased by 20.4 pps and 3.0 pps (Figure 8).

Figure 8. Construction expectations for the next quarter



Source: Quarterly Construction Survey - Fedesarrollo



**Contact us if you would like to have access to
disaggregated results by region, industrial sector
and other survey questions**

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Published March 22, 2018

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